C. P. U. No. 412

COMMITTEE ON PUBLIC UNDERTAKINGS

(1980-81)

(SEVENTH LOK SABHA)

FIFTH REPORT

Action taken by Government on the recommendations contained in the Forty-fifth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

on

TEA TRADING CORPORATION OF INDIA LTD.— EXPORT PERFORMANCE

MINISTRY OF COMMERCE
(Department of Commerce)

Presented to Lok Sabha on
Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI
December 1980/*Agrahayana*, 5 1902 (*Saka*)

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*Elected w.e.f. 28-11-1980 in the vacancy caused by appointment of Shri P. A. Sangma as Deputy Minister.

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(1980-81)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 5th Report on Action Taken by Government on the recommendations contained in the 45th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Tea Trading Corporation of India Ltd.—Export Performance.

2. The 45th Report of the Committee on Public Undertakings was presented to Lok Sabha on 24 April, 1979. Replies of Government to all the recommendations contained in the Report were received by 28 November, 1980. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 12 December, 1980. The Report was finally adopted by the Committee on Public Undertakings on 16 December, 1980.

3. An analysis of the Action Taken by Government on the recommendations contained in the 45th Report (1978-79) of the Committee is given in Appendix II.

NEW DELHI;
December 17, 1980
Agrahayana 26, 1902 (Saka)

BANSI LAL,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Forty-Fifth Report (Sixth Lok Sabha) of the Committee on Public Undertakings on Tea Trading Corporation of India Ltd.—Export Performance which was presented to Lok Sabha on 24 April, 1979.

2. Action Taken notes have been received from Government in respect of all the 15 recommendations contained in the Report.

The recommendations have been categorised as follows :—

(i) *Recommendations/Observations that have been accepted by Government*

Serial Nos. 1, 2, 3, 4, 5, 6, 7, 8, 11 and 15.

(ii) *Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies*

Serial Nos. 9, 12, 13 and 14.

(iii) *Recommendations/Observations in respect of which final replies of Government are still awaited*

Serial No. 10.

The Committee will now deal with the action taken by Government on some of their recommendations.

A. *Export of Packet Tea*

Recommendation (Serial No. 4, Paragraphs 1.38 & 1.39)

3. The Committee found that while F.O.B. price realisation on export of tea in bulk/blended forms was Rs. 8·45, Rs. 10·80 and Rs. 21·76 per kg. in 1975-76, 1976-77 and 1977-78 respectively, the f.o.b. realisation on tea exported in value-added forms was only Rs. 17·09, Rs. 13·72 and Rs. 20·30 respectively. They observed that this was most distressing to note as the price was abnormally low and it appeared that in reality no value was added. Wide variations in value realisation on tea exported by the Corporation from country to country were also noticed by the Committee. They, therefore, desired that the Ministry of Commerce should bring out a white paper periodically showing the price fetched by packet tea of different types at the last counter in different countries, *vis-a-vis* F.O.B. price realised by us from the importing countries concerned. There was no use comparing the price obtained by the TTCI, with that obtained by private exporters as the private parties particularly the multinationals indulged in invoice manipulations.

4. Government in their reply have stated that the export of tea in value-added form depends on the quality of tea, type of packaging and the nature of the export market itself. There is, therefore, bound to be variation in the value realisation from year to year and from country to country. In all the exports of TTCI there has been a 'value added' element ranging between Rs. 3 to Rs. 10 per kg.

It has also been added that the mark-up between the import price and the price charged to the ultimate consumer depends on the nature of market. The marketing system in the developed countries is such that one has to operate through established distribution channels and therefore, the difference in the import price and price charged to the ultimate consumer is also bound to be there. Government have also stated that while the details showing the prices fetched by packet tea of different types at the last counter *vis-a-vis* f.o.b. price realised from the importing countries can be compiled, it does not seem necessary to publish them in the form of white paper periodically.

5. While the Committee agree that white papers need not be brought out periodically, they would like to stress the need for bringing out periodically a compilation showing the prices fetched by packet tea of different types at the last counter vis-a-vis f.o.b. price realised from the importing countries. An indication of price movements brought out therein will help not only TTCI to progressively improve the f.o.b. realisation on exports but would also help the customs authorities to have a check on any invoice manipulations by others. The compilation should therefore be supplied to these authorities.

B. *Retail Counters in Foreign Countries*

Recommendation (Serial No. 5, Paragraph 1·40)

6. The Committee recommended that the major task of the TTCI in future should be to export teas in finished value-added i.e. packet tea, tea bags, instant tea etc. ready for sale at the last counter under its own brand names through its own appointed selling agents and retailers. Besides, it should have its own sales promotion staff who should keep close watch on the performance of the marketing channels. With a view to obviating lengthy distribution channel and avoiding middlemen and to improve the unit value realisation the Committee suggested that the Corporation should either on its own or in concert with the Tea Board or the STC even open sales counters in various countries on an experimental basis and in the meantime strive to sell on a commission basis its brands of teas direct to chain stores/ co-operatives in foreign countries.

7. Government in their reply have stated that for sales promotion in foreign countries, large funds are required to be spent without any guarantee of benefits in the first two years. At present TTCI utilises the services rendered by Tea Board for limited and inexpensive promotion. It has been added that whilst the Corporation has its sales promotion cell in India, it would be uneconomic to have sales promotion staff in foreign countries until a reasonable volume has been established. With regard to retail counters in foreign countries, it has been stated that this would be a very expensive project and will not justify that expenditure incurred in relation to the volume of sales. It would, however, be possible to do so if consortium of Indian Tea exporters can be formed for marketing through retail outlets established by Tea Board/STC/TTCI.

In paragraph 5·40 of their 35th Report (6th Lok Sabha) the Committee had recommended that—

> "The Committee are firmly of the opinion that for profitable sale of Indian products or produce, like leather and leather goods, tea, coffee, tobacco, engineering goods etc., it is absolutely necessary that the authorities should start showroom-cum-sales-centres in

important cities in Europe, Britain, North America, Gulf Countries, Japan and other important markets. This job could well be undertaken by the STC itself as part of their foreign offices, which number twenty."

The Government in their action taken reply have stated that—

"The question of starting 'showroom-*cum*-sales-centres' in important cities abroad, where STC has its offices, is under examination in addition to other export promotion avenues such as organising specialised displays of select items and inviting the related audience, i.e., buyers, etc."

8. As already pointed out by the Committee in their 45th Report the retail prices of tea in a number of importing countries are several times the value realised by the Corporation. The Committee would, therefore, reiterate that besides exploring the possibility of forming consortium of all tea exporters for marketing abroad through our own chain of retail outlets, showroom-cum-sales counters should be opened in foreign countries on an experimental basis, in concert with STC as recommended in paragraph 5·40 of the 35th Report (6 L. S.).

C. *Sub-Contracting*

Recommendation (Serial No. 15, Paragraph 2.81)

9. The Committee expressed concern over the fact that TTCI had undertaken to become sub-contractor of Trishul Agencies, a Private concern, when the latter secured in 1978 a Libyan order directly from the National Supply Corporation Organisation, Tripoli, for supply of 300 tonnes of teas in metal caddies. Although the sub-contract was expected to yield a profit of Rs. 15 to 18 lakhs to TTCI, it was unaware of profit margin of Trishul Agencies.

10. The Government in their reply have stated that as the contract was directly secured by Trishul Agencies from Libya, there was no means of knowing the profit Trishul would make on this deal. TTCI was more interested about the profit they would make on this deal.

11. The Committee would like to point out that though it might not have been possible to know exactly the quantum of profit made by Trishul Agencies on the deal with NASCO, it should be possible to ascertain the price declared by Trishul to customs authorities in regard to the export made. This price when compared with the price obtained by the TTCI would indicate the profit margin of the Trishul Agencies. The Committee wish this had been done by Government before sending their reply.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Paragraph 1.35)

The Committee are perturbed to find that the Tea Trading Corporation of India which was set up in December, 1971 did not export any tea at all during the years 1971-72 to 1973-74 and that it was only in 1974-75 that it made a humble beginning by exporting tea of the value of Rs. 1 lakh. In subsequent years, however, its exports registered a growth from Rs. 196 lakhs in 1975-76 to Rs. 793 lakhs in 1977-78. The reasons for its dismal performance on the export front in the earlier years, are stated to be mainly lack of expertise and proper institutional arrangement. It is surprising that though the Corporation languished for as many as five years, Government remained a silent spectator throughout and did not, as far as the Committee know, take any effective steps to put the Corporation on its feet. This apathy on the part of Government which has brought rich dividends to the multinationals, is indeed deplorable, if not intriguing.

Reply of the Government

The Tea Trading Corporation of India was incorporated in December, 1971 with the objective of exporting Indian tea in value-added form. In view of the vested interests which have been controlling this industry over the years, tea industry in India today is not only highly competitive but also very complicated in nature. This made it difficult for the Government to select a suitable person as chief executive of the TTCI immediately after its formation. Besides, like all other new organisations, TTCI too had its teething troubles in the formative years.

The first chief executive of the TTCI was appointed in Nov., 1972. He was reputed to be one of the best tea tasters available in India. Unfortunately, however, he was found to be unsuitable for the assignment and was removed from service in October, 1973.

From October, 1973 up to August, 1975 the then Deputy Chairman, Tea Board was looking after the work of TTCI, in addition to his own charge. While the search for a good executive with proper background of the tea industry was made by the Government, in right earnest it was only in August, 1975 that the present chief executive was able to join the Corporation.

The export performance of the Corporation since its inception is shown in the following statement :

(In Rs. lakhs)

Year	Export	Internal sales etc. & P.T.C.	Total
1972-73	Nil	Nil	Nil
1973-74	Nil	0·67	0·67
1974-75	1	135	136
1975-76	196	150	346
1976-77	355	358	713
1977-78	793	383	1176
1978-79	1740	300	2040

From this, it would be seen that after overcoming the initial problems encountered in setting up a Public Sector undertaking for marketing of tea, from 1975-76 onwards, the exports of TTCI have shown a remarkable growth and the Corporation has established itself in a short period. This would not have been possible without vigorous support from the Government. It may be reiterated that in a complicated and competitive industry like tea, it is but natural that a new public sector undertaking should take a little time to establish itself. From the export performance of the TTCI it appears that it has established itself in a reasonable time.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce) O.M. No. I-12014(2)/79-Plant (A), dated 23-5-1980]

Recommendation (Serial No. 2, Paragraph 1.36)

The Committee find that though the Corporation has improved its export performance in recent years, its share in the country's export of tea has as yet been very insignificant. Out of the country's export of Rs. 542·42 crores in 1977-78, the share of TTCI was Rs. 7.93 crores only i.e. 1.4 per cent. However, its share (Rs. 5·68 crores) in the country's export of packet tea (Rs. 48·48 crores) was 11·7 per cent.

Reply of the Government

Export of tea from India is predominantly (more than 80%) in the form of bulk tea and only a small portion (about 20%) is in the form of packet tea. The export of packet tea is regarded as export in value-added form. From its inception the objective of TTCI has been to increase exports of tea in value-added form. The performance of TTCI is, therefore, to be assessed in terms of export of packet tea and not in comparison with the total exports of tea in bulk from India. The following table shows the details of India's export of tea in bulk and in packet form with TTCI's share therein:

EXPORT OF TEA FROM INDIA

(Rs. crores)

Year	Total export of tea	Total export of packet tea	Percentage of packeted tea to total tea export	Packeted tea exported by TTCI	Percentage of (5) to (3)
(1)	(2)	(3)	(4)	(5)	(6)
1974-75	223·54	9·51	4·0%	—	—
1975-76	238·29	19·75	8·3%	1·96	9·92%
1976-77	295·26	22·93	7·7%	3·11	13·56%
1977-78	563·72	56·99	10·1%	6·52	11·44%
1978-79	359·12	83·35	23·3%	17·30	20·75%

From this statement it would be seen that between 1975-76 and 1978-79 export earnings of the Corporation went up by 78% for packet tea and its share in the packet tea exports more than doubled. Moreover, these

exports have been made to the developed countries of Europe, U.S.A. and Oceania, besides traditional WANA countries. TTCI can also undertake export of tea in bulk but that cannot lead to additionality either in exports or in value. Instead enhancement of exports of value-added and branded product to sophisticated markets by the TTCI is considered more desirable from the point of view of sustained exports and establishment of Indian brand names in those markets.

[Ministry of Commerec and Civil Supplies (Department of Commerce) O. M. No. I-12014 (2)/79-Plant (A) dated 23-5-1980]

Recommendation (Serial No. 3, Paragraph 1.37)

The Committee are convinced that if the Corporation is to achieve its objective of reducing the country's dependence on multinational companies like Brooke Bond (India) Ltd., Lipton Ltd., it will have to accelerate its efforts on the export front to such an extent that it attains a dominant position soon. The Committee have been informed that according to the five-year Export Plan drawn up by Government for the years 1978-79 to 1982-83, the country's export of packet tea in terms of quantity will reach 140 million kgs. by 1982-83. Of this, TTCI's share is expected to be 70·00 million kgs, i.e. 50 per cent. TTCI has indicated that at present 'it is not equipped to act as a canalising agent/catalyst/coordinator". It has 'however' assured that if required it can gear itself to do so in a few years time. The Committee recommend that having drawn up the Export Plan, Government should keep a contemporaneous watch on the export performance of TTCI and ensure that whatever yearly targets of export have been set for it are achieved in full. Government should also consider the question of canalising export of tea through TTCI in due course taking steps to equip it for this purpose.

Reply of the Government

The Five-Year Plan for TTCI was prepared in 1978-79. The main emphasis in this Plan, which covers the period from 1978-79 to 1982-83, is on achieving a dominant position in respect of export of packeted and value-added tea.

For this purpose, TTCI proposes (i) to develop new export markets for value-added tea, through joint ventures and collaboration with established foreign packers and marketeers for packing Indian brands of teas in the countries of consumption, (ii) to provide distribution facilities in Europe and other developed countries for Indian packeted teas to be utilised for Indian exporters and (iii) to develop production facilities in India to meet the increasing world demand for different packets. It is also proposed to acquire know-how and develop production facilities for manufacture of instant tea for export. The Plan also provides for development of manufacture of Chinese type of green tea for which there is a large demand in South American countries.

The Committee's recommendation that the Government should consider canalising exports of tea through TTCI is noted.

[Ministry of Commerce and Civil Supplies (Department of Commerce) O.M. No. I-12014 (2)/79-Plant (A) dated 23-5-1980],

Recommendation [Serial No. 4(1), Paragraph 1.38]

The Committee find that while F.O.B. realisation on export in bulk/ blended forms was Rs. 8·45, Rs. 10·80 and Rs. 21·76 per kg. in 1975-76, 1976-77 and 1977-78 respectively, the F.O.B. realisation on tea exported in value added forms was only Rs. 17·09, Rs. 13·72 and Rs. 20·30 respectively. This is most distressing to note as the price was abnormally low and it appears that in reality no value was added.

Reply of the Government

The export of tea in value-added form depends on the quality of tea, type of packaging and the nature of the export market itself. The value-added export is much more difficult than the export of tea in bull. The f.o.b. prices realised by TTCI on exports in value-added form have, therefore, to be compared with value-added tea exports of other countries and not with the export of bulk tea from India. In this context it may be pointed out that in 1977 and 1978 TTCI's exports to Libya were at a higher price than what was realised by Sri Lanka. In all the exports of TTCI there has been a "value added" element ranging between Rs. 3 to Rs. 10 per kg.

The value realisation in 1976-77 (Rs. 13. 72 per kg,) was lower than that in 1975-76 (Rs. 17·09 per kg.) for the following reasons: (a) In 1975-76 all TTCI exports excepting those to Poland and Afghanistan were of Darjeeling blend tea packed in expensive decorative caddies. (b) During 1976-77 various tea blends with prices ranging between Rs. 9 to Rs. 34 per kg were exported depending upon the marketing requirements of different countries. A major portion of these exports was made only in printed board packets. Similarly there were large orders for low priced packet tea.

During 1977-78 the average export price of packaged tea was Rs. 22.06 per kg while the average price for bulk tea export was Rs. 16·21 per kg.

[Ministry of Commerce and Civil Supplies (Department of Commerce) O. M. No. I-12014(2)/79-Plant (A) dated 23-5-1980]

Recommendation [Serial No. 4(2) Paragraph 1.39]

The Committee have also noticed wide variations in value realisation on tea exported by the Corporation from country to country. They therefore desire that the Commerce Ministry should bring out a white paper periodically showing the price fetched by packet tea of different types at the last counter in different countries, vis-a-vis FOB Price realised by us from the importing countries concerned. There is no use comparing the price obtained by the TTCI with that obtained by private exporters as the Committee do not have the slightest doubt that private parties particularly the multinationals indulge in invoice manipulations.

Reply of the Government

As explained in comments on para 1·38 the f.o.b. price realisation on packeted tea depends on the quality of tea, the type of packaging and the nature of the market itself. There is, therefore, bound to be variation in the value realisation from year to year and from country to country. Similarly

the mark-up between the import price and the price charged to the ultimate consumer depends on the nature of the market. In West Europe this mark-up is between 30% to 50% while in U.S.A. it can be even 100%. The marketing system in the developed countries is such that one has to operate through established distribution channels and therefore the difference in the import price and price charged to the ultimate consumer is also bound to be there.

While the details showing the prices fetched by packet tea of different types at the last counter *vis-a-vis* f.o.b. price realised from the importing countries can be complied, it does not seem necessary to publish them in the form of white paper periodically.

[Ministry of Commerce and Civil Supplies (Department of Commerce) O. M. No. 1-12014 (2)/79-Plant (A) dated 23-5-1980]

Comments of the Committee

(Please see Paragraph 5 of Chapter I of the Report)

Recommendation (Serial No. 5, Paragraph 1.40)

The major task of the TTCI in future should be to export teas in finished value-added i.e. packet tea, tea bags, instant tea etc. ready for sale at the last counter under its own brand names through its own appointed selling agents and retailers. Besides it should have its own sales promotion staff who should keep close watch on the performance of the marketing channels. This should be the main object of the Corporation. The Committee feel that with a view to obviating lengthy distribution channel and avoiding middlemen, the Corporation should either on its own or in concert with the Tea Board or the STC even open sales counters in various countries on an experimental basis and in the meantime strive to sell on a commission basis its brands of teas direct to chain stores/cooperatives in foreign countries. This alone should improve the unit value realisation.

Reply of the Government

Over 90% of TTCI's exports are in finished value added form namely packet tea, caddy tea and tea bags. No instant tea has been supplied by TTCI as it does not have an instant tea manufacturing plant at present.

The Corporation's teas are branded and are ready for sale at the retail outlets. Currently, the Corporation has the following methods of marketing packaged tea abroad:

(1) Securing orders against global tenders floated by Government Buying Organisation of the importing countries.

(2) Securing orders direct from Whole-salers and Chain Stores in developed countries.

(3) Servicing orders secured by appointed agents abroad.

(4) Securing orders through negotiations with Government Buying Organisation particularly in the East European Countries, for example Agros in Poland, Monimpex in Hungary. NASCO in Libya, GEZA in Syria, SOJUZPLODOIMPORT in USSR etc.

TTCI has been able to secure orders against global tenders despite severe Competition from exporters from all tea growing countries.

Regarding sales to Chain Stores, the Corporation has been called upon to commit a particular brand for the entire territory to the chain group concerned and this invariably limits the Corporation's operations in a particular territory. Though this arrangement certainly reduces distribution costs, it nevertheless restricts the Corporation's flexibility to expand its activities in a particular country/market.

For sales promotion in foreign countries, large funds are raquired to be spent without any guarantee of benefits in the first two years. At present TTCI utilises the services rendered by Tea Board for limited and inexpensive promotion. Whilst the Corporation has its sales promotion cell in India, it would be un-economic to have sales promotion staff in foreign countries until a reasonable volume has been established.

With regard to retail counters in foreign countries, this would be a very expensive project and will not justify that expenditure incurred in relation to the volume of sales. It would, however, be possible to do so if consortium of Indian Tea exporters can be formed for marketing through retail outlets established by Tea Board/STC/TTCI. In this connection reference is also invited to our comments on para 1 ·43.

[Ministry of Commerce and Civil Supplies (Department of Commerce) O. M. No. 1-12014 (2)/79-Plant (A) dated 23-5-1980]

Comments of the Committee

(Please see Paragraph 8 of Chapter I of the Report)

Recommendation (Serial No. 6, Paragraph 1.41)

According to the information received by the Committee it appears that the retail price in a number of importing countries is several times the value realised by us. The TTCI has utterly failed to achieve its primary objective in any worthwhile manner. The Corporation has not been able to penetrate into the traditional markets.

Reply of the Government

The point about the retail price in importing countries being higher than value realised by us has already been answered in comments on paras 1.38 and 1.39. The methods adopted by the TTCI for marketing packaged tea in foreign countries are described in comments on para 1.40. The export performance of the Corporation is given in comments on para 1.35 which shows that from 1975-76 onwards the export turnover has doubled every year. It is, therefore, not correct to say that the Corporation has failed to achieve its primary objective. The Corporation has made a break-through in the traditional markets and as mentioned in comments on para 1 ·37

has drawn up a five-year plan to improve its share in those markets and to achieve dominant position in export of value-added tea.

[Ministry of Commerce & Civil Supplies (Department of Commerce) O.M. No. I-12014(2)/79-Plant(A) dated 23-5-1980.]

Recommendation (Serial No. 7 Paragraph 1·42)

The Committee note that while claiming it has been maintaining a close liaison with the Directors of Tea Promotion and Tea Board Officers in Brussels, London, Sydney, New York and Cairo, the Corporation has intimated that hithertofore Tea Board had treated the Corporation as a "Division" where their surplus staff could be deputed. It has been suggested to the Committee that Tea Board must regard TTCI in a different light and give all necessary assistance for it to develop. The Committee therefore stress the need for fuller understanding between the Tea Trading Corporation of India and Tea Board. The Committee also recommend that officers of Tea Promotion in various countries should be utilised by the Tea Trading Corporation of India so as to increase its export prospects of Packet Tea.

Reply of the Government

The Committee's views and recommendations are noted.

[Ministry of Commerce & Civil Supplies (Department of Commerce) O.M. No. I-12014 (2)/79-Plant(A) dated 23-5-1980.]

Recommendation (Serial No. 8, Paragraph 1.43)

The Corporation's export range covers 4 varieties of packet teas viz., Darjeeling, Assam, Nilgiris and Oriental Blue in both "Natraj" and "Maya" packets as also Nataraja Tea of Darjeeling and Assam Blends. The Corporation's 'Maya' range of tea won the International CLIO Award for excellence in packaging for the first time. The Committee however find that popularisation of brand names is being done in a cursory way. All that the Corporation does is to ask its super market buyers to undertake promotion and merchandising on their behalf. The Committee feel that such a half-hearted approach to export promotion can have only a marginal effect on export. The Committee wish to stress that in order to establish its brand TTCI should take to mass communication media at least in countries where consumption of tea is high and export prospects bright. In the costing of tea there should be an element of advertisement and sales promotion expenditure.

Reply of the Government

The methods followed by TTCI for marketing its products in foreign countries are described in comments on para 1.40. It has been brought out there that Advertising and promotion in a planned manner would involve losses in initial years. Presently, TTCI reserves about 2½% of the F.O.B. value for promotion expenses in each country. The Committee's suggestion regarding utilisation of mass communication media in importing countries for establishing brand names of the TTCI is noted.

[Ministry of Commerce & Civil Supplies (Department of Commerce) O.M. No. I-12014(2)/79-Plant (A) Dated 23-5-1980].

Recommendation (Serial No. 11, Paragraphs 2.54 & 2.55)

The Committee regret to note that on the basis of a contract negotiated in January 1978, 285 tonnes of blended bulk tea which were to be supplied in February and March 1978 to Iran through Export House Division of Dunlop (India) a multinational tyre manufacturing company, against irrevocable letters of credit for 100 per cent value of goods was ac ually shipped in April/May, 1978. The delay in shipment was said to be due to strike in TTCI's warehouses from January to March, 1978, low draught in Calcutta Port and other problems. By this time the letters of credit had expired and the buyers in Iran refused to accept the delivery of tea on the plea of delayed shipment. The Committee have been informed that Dunlop's Teheran Agent indicated that even if we were to offer a discount of Rs. 5/- per kg. there would be no firm commitment that consignment would be lifted by the importers at the discounted price. TTCI made a counter offer of discount of Rs. 2/- per kg. on the condition that Dunlop would depute a representative so that the matter could be resolved on the spot. It was also agreed that if the discount of Rs. 2 per kg. was not acceptable to the buyers, the consignment should be recalled at Dunlop's cost as they were also involved as this shipment was made at their request. Dunlop's representative visited Tehran and was able to pursuade Iranian importers to accept 45 tonnes of tea at the original invoice price. The remaining 240 tonnes of tea was brought back to India and the cost of recalling the consignment was shared between Dunlop and TTCI on 50/50 basis though the original decision was that the entire cost would be met by Dunlops. Apart from bearing 50 per cent of cost of recalling this consignment, TTCI had also paid 5½% Commission to Dunlops for this deal. Dunlop representative is stated to have admitted that the buyers who had placed orders through their Agent (M/s. Tarahind Co.) were speculators who tried to take advantage of the situation. It has been stated that traders in Iran had imported large quantities of tea following rumours that import duty on tea in Iran would be increased substantially but when this duty was not raised, prices of tea in Iran crashed. Many traders in Iran are stated to have backed out of various deals.

Although the tea brought back from Iran is stated to have been somehow utilized, the Committee would like to know how much loss was caused to the TTCI and what was the liability of Dunlops to recoup that loss as well as the extent to which the liability was discharged by them. It is surprising how Dunlops (India) a multinational tyre manufacturing company could come into this business. The Tea Trading Corporation of India should learn a lesson from this export deal and not fall an easy prey to speculators who are not prepared to honour their commitment. This case gives rise to some suspicion.

Reply of the Government

In January '78 TTCI had negotiated a contract for supply of 285 tonnes of blended bulk tea with buyers in Iran through the Export House Division of Dunlop (India) Ltd. This business was negotiated against payment terms of Irrevocable Letters of Credit for 100% value of the goods and the shipments were to be made in February and March, 1978 at the rate of 150 tonnes and at the rate of 135 tonnes respectively.

Due to non-availability of a suitable sailing opportunity to Khorramshahr Port (Iran) the February shipment could not be effected on time and on TTCI's persuasion the buyers agreed to accept both the consignments in March '78. The shipments were accordingly effected in March '78 in two vessels—Amir Khosrow and Kedarnath—respectively, but unfortunately the ships' sailing was delayed considerably due to low draught in Calcutta Port and other problems. The vessel Amir Khosrow sailed on 9th April '78 and the Kedarnath sailed on 8th May, 1978.

TTCI had requested Shipping Corporation's Agents for Amir Khosrow to take both the consignments but due to low draught, Shipping Corporation of India refused to accept the consignment.

By the time the ships had sailed, some of the Letters of Credit had expired and the Export Division of Dunlop could not negotiate the document with their Bankers.

The Iranian buyers refused to accept the documents and they were unwilling to take delivery of the goods.

TTCI endeavoured to take a stand that it was the responsibility of the Dunlops to dispose of the goods but they contended that had the goods been shipped on time, they would have been able to negotiate the documents within the L.C. validity period and the problems would not have arisen. After a number of discussions with Dunlops, who were not willing to bear the entire cost of recalling the consignment from Iran, it was agreed that it would be to the mutual interest of Dunlops and TTCI to send a representative to Iran to dispose of the goods, at the best possible price or otherwise the goods would have to be brought back on a sharing of expense basis.

The Dunlop representative visited Iran and offered a discount of Rs. 2/- per kg. which was not acceptable to the buyers. Under the circumstances and with the deteriorating political situation in Iran, it was decided to bring back the consignment on a 50 : 50 cost sharing basis.

In the absence of any agreement to this effect and as Dunlops was not agreeable to bear the entire cost of recalling the Consignment, TTCI had to agree to the sharing of expense on equal cost basis in view of the huge loss that would have incurred if TTCI were to leave the consignments in Iran for subsequent disposal. TTCI took the view that any consignment lying in a foreign country in the custody of the Agent/Buyers for sale over a period of time would be heavily discounted in price in addition to other substantial expenses on storage and consequent deterioration in quality. Furthermore, remittance of sale proceeds would have been protracted through a long period contravening FERA Rules as political effects in Iran have proved.

The total expenditure incurred on recalling the Iran Consignment was as follows :

1. Freight from Calcutta to Khorramshahr . . Rs. 4.2 lahks.

2. Demurrage, clearing and forwarding charges and freight from Khorramshahr to Calcutta (taken at the rate of 50%—total 4.8 lakhs)	Rs. 2.4 lakhs
3. Expenses in connection with the clearing of the consignment at Calcutta and Port charges (at the rate of 50%—total Rs. 1 lakh)	Rs. 0.5 lakh
Total . .	Rs. 7.1 lakhs.

[50% of items (2) & (3) above was shared by Dunlop]

The average tea cost of 240 tonnes tea that were brought back was Rs. 12.87 kgs. The entire consignment had been stored in TTCI's Godowns and the teas had been utilised in the packet tea blend for Libya, Afghanistan and Maya teas, where the tea cost was Rs. 13/- for Libya, Rs. 13.50 for Afghanistan and Rs. 18/- for Maya Caddy. Apart from the higher tea cost and consequent recovery, TTCI was able to recover Rs. 2.50 per kg. by way of Cash Subsidy alone.

TTCI had taken a wise business decision to recall the consignment, as subsequent events in Iran have proved, and was also able to recover the entire expenses in this regard, if not more, by utilising the tea in packet teas as stated above.

TTCI did not pay 5½% commission to Dunlop for the consignment recalled.

[Ministry of Commerce (Department of Commerce) O.M. No. I-12014(2)/79-Plant (A) dated 18-11-1980.]

Recommendation (Serial No. 15, Paragraph 2.81)

It is a matter of grave concern that when in the middle of 1978, Trishul Agencies, a private concern, engaged in the export of marine products etc., secured a Libyan Order (directly from the National Supply Corporation Organisation, Tripoli) for supply of 300 tonnes of teas in metal caddies, the Corporation undertook to become its sub-contractor. The Committee are of the firm view that as a matter of principle public sector enterprises should try to secure the orders themselves. Although in this case the sub-contract was expected to yield a profit of Rs. 15 to Rs. 18 lakhs, TTCI is unaware of profit margin of Trishul Agencies. The Committee would like to know how a private concern could enter the Libyan market when TTCI had already established itself at a heavy cost unless it was inducted. The Chairman and Managing Director of TTCI admitted during evidence that owner of Trishul Agencies was distinctly related to him.

Reply of the Government

Trishul Agencies apparently secured an order for supply of 300 tonnes of teas in metal caddies directly from (NASCO) National Supply Corporation, Tripoli, the Government Buying Organisation, in mid. 1978. They

planned to sub-contract the order and it is gathered that they made enquiries with various tea packers and exporters. TTCI Export Division was able to persuade this company to place the sub-contracting work with them at a very remunerative price which would give a gross margin of Rs. 15 to Rs. 18 lakhs on the order.

As the contract was directly secured by Trishul Agencies from Libya, there was no means of knowing the profit Trishul would make on this deal. TTCI was more interested about the profit they would make on this deal, which was estimated at Rs. 15 to Rs. 18 lakhs.

It is, however, not correct to suggest that Trishul Agencies obtained business from Libya only due to one of the partners being related to the Chairman of TTCI Ltd. It is understood that NASCO had recently invited Trishul Agencies to Tripoli to discuss 1980 supplies of caddy tea. A number of other Indian exporters have visited Tripoli to discuss tea supply for 1980. NASCO also buys tea from private exporters of Sri Lanka.

The sub-contracting arrangement with the TTCI was discussed in the Board of Directors at the instance of the Chairman & Managing Director of the Corporation, as one of the partners of M/s. Trishul Agencies was related to the CMD. Legal opinion was sought whether the partner who was the CMD's wife's brother's wife would be regarded as a relative under the Companies Act 1956. On receipt of legal opinion that she did not constitute a relation, clearance was given by the Board of Directors to proceed with the execution of the sub-contract.

It is pointed out that at the time the Corporation signed a contract for 2000 tonnes of packet tea with National Supply Corporation in July, 1978, offers were also made to the Chairman of NASCO by TTCI for supply of tea bags and caddies, but he did not indicate any interest. While negotiating the 1979 contract in Tripoli in January, 1979, TTCI again made an offer for supply of tea caddies and tea bags besides the usual packet tea and the Corporation was able to secure an order for 5000 tonnes of packet tea and 50 tonnes of tea bags. However, no order for tea caddies has been placed on this Corporation by NASCO as yet.

It has been the practice of National Supply Corporation, Libya to place orders on other parties, despite the facts that TTCI had established business relations with them. During 1975-76, Libya placed 3000 tonnes packet tea order on a private Indian exporter, though the party did not ship any quantity.

It may be mentioned that Trishul Agencies has again secured order for supply of tea in caddies from NASCO for 500 tonnes during 1980 despite competitive offers given to NASCO by TTCI and other exporters. It would, therefore, appear that NASCO prefers to place major orders on TTCI and smaller caddy orders on private exporters from India.

[Ministry of Commerce & Civil Supplies
(Department of Commerce) O.M.
No.' I-12014(2)/79-Plant (A) dated 23-5-1980.]

Comments of the Committee

(Please *see* Paragraph 11 of Chapter I of the Report)

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation [Serial No. 9(1), Paragraphs 2.33 nd 2.34]

The Committee are perturbed to note that during the course of its business dealings with the London Tea & Produce Co., the Tea Trading Corporation of India had been bestowing one undue favour after another on that Company in utter disregard of sound business principles and commercial practices. First, even though London Tea & Produce Co., had refused to pay for 870 Chests weighing 39150 kgs. of Blend 'C' Tea (Value £ 57443) shipped in July, 1977 and for another 170 Chests weighing 7650 kgs. (value £ 13356) on the pretext of poor quality and/or severe damage in transit, TTCI did not stop subsequent consignment of tea shipped by "Jalakala" in November, 1977 a part of which (value £ 47142) was also rejected by the Company. The Chairman-cum-Managing Director TTCI stated in his evidence that there was no reason to believe that the Company would engineer things like that.

Secondly, on a telephonic request made by Managing Director of LTPC on 22nd July, 1977 Tea Trading Corporation liberalised the credit terms in favour of London Tea & Produce Co. by extending the period of payment of bills from 90 to 120 days for reasons best known to the Corporation authorities. Further instead of charging interest for delays in payment for shipments of tea made to the Company, Tea Trading Corporation in its letter dated 8th November, 1977 to SBI Calcutta, agreed to bear such interest itself.

Reply of Government

TTCI's business dealings with this Company were fully explained to the Committee during the evidence of the Corporation. It was emphasised that the Corporation had not bestowed any undue favour on that Company disregard of sound business and commercial practices.

Negotiations with London Tea and Produce Company Limited, U.K. date back to 1974.

This Company had discussions with the Director, Tea Promotion, U.K. and the Chairman, Tea Board who had recommended a collaboration agreement between this Company and the TTCI.

TTCI had increasing business with this Company since 1975-76 as follows :

Year	*Nett Wt. in kg.*	*Value of Export*
1975-76	26,400.000	Rs. 3,99,917.68
1976-77	1,37,700.000	Rs. 19,95,243.15
1977-78	2,11,363.016	Rs. 50,93,497.55

In regard to 870 chests Blend 'C' shipped per "City of Gloucestor" LTPC had instructed TTCI to ship the consignment in pelletised form in May/early June, 1977. The teas were blended and made ready for shipment on 20th May, '77 but TTCI could not get space on the ready sailing vessels viz. 'Jalapanki' and "Indian Prestige" which sailed around and May/early June, '77. The next steamer available for UK was "City of Gloucester" due to sail around 10th June'77. The consignment was booked on this steamer and the shipping documents were passed by Customs in early June, '77. Just before the final shipment date, TTCI was advised that there would be delay in the movement of the vessels as the ship had arrived in Calcutta ; Port late . TTCI was subsequently advised by the agents of the shipping line that due to port conditions further delay would take place. Towards end June 1977 when TTCI was about to move the cargo, the Corporation was advised that the vessel would not accept pelletised cargo due to shortage of space. With much difficulty, TTCI was able to get the concurrence of the buyers to accept non-pelletised cargo.

The ship finally sailed on 5th July, '77 nearly 4 weeks after the scheduled date. When the steamer arrived in UK in first week of Sept. 1977, LTPC advised that severe damage had taken place to the consignment during transit and that this caused delay in clearance. After exchange of a number of telexes and much correspondence, it was agreed that a surveyor would be appointed to ascertain the extent of damage. The payment for this consignment was due on 25-10-77.

Similarly, 170 Chests of whole season tea were shipped per "Manipur" in early July, '77 to LTPC. There was a quality complaint in this case too and it was decided to appoint a surveyor to ascertain the genuineness of the complaint. On this consignment the payment was due on 31-10-77.

The following quantities of Tea were due for shipment as per LTPC Orders in the month of October, 1977.

1. Blend 'C'	—	600 Chests.
2. L. T. Packet	—	1521 Chests.
3. Darjeeling Fannings	—	25 Chests.

The earliest Steamer available was "Jalakala" due in Calcutta Port in End-October/77. TTCI made ready its consignment for shipment per 'Jalakala' by 7th/10th November '77 but due to congestion in the Boarding Shelf there was some delay in the sailing of the Steamer.

Only on 1st November/77 TTCI received intimation from the Bankers that the documents relating to the shipments made per "City of Gloucstor" had not been honoured. On contacting LTPC over telephone, TTCI's Export Division was advised that the LTPC's instruction was to ship the consignment at intervals of at least one month. As the two consignments shipped per "City of Gloucestor" and 'Manipur' had arrived in U.K. bunched together LTPC advised that they could not make the payment immediately and requested for further 30 days credit for payment. In the circumstances and in view of LTPC's good record in the past TTCI agreed to grant further 30 days

credit for payment which meant that the payment of "City of Gloucestor" would be due on 26th November/77 and for "Manipur" on 30th November, 1977.

Thus when TTCI Cargo was loaded on JALAMANI (which sailed from Calcutta Port on 27th October,'77) or "JALAKALA" (before 26th Nov., '77) there was no question of any outstanding from LTPC as the payment for the shipments effected per CITY OF GLOUCESTOR AND MANIPUR was due on 26th November, 1977 and 30th November, 1977 respectively.

When, after extended credit terms, payment was not forthcoming and complaints were received, further shipments of all outstanding orders were withheld.

[Ministry of Commerce and Civil Supplies (Department of Commerce) O.M. No.I-12014 (2)/79-Plant-(A) dated 4-6-1980.]

Recommendation [Serial No. 9(2), Paragraph 2.35]

Thirdly the Tea Trading Corporation after quoting the price of £ 2.00 per kg. for L.T. Packets STD-233 (Orthodox BOP Blend) in June 1977, went on reducing the price supplying fresh samples of tea undoubtedly to oblige the Company. The Company accepted on 29th July, 1977 the price of £1.80 which was again got revised to £ 1.65 per kg. on 2nd August, 1977. But on 9th August, 1977 TTCI quoted a still lower price of £ 1.60 per kg. which was accepted by the LTPC and Shipment made.

Reply of the Government

London Tea Produce & Co., London had orders on TTCI for supply of London Pride (LT Packets) in June '77 containing Orthodox BOP blend and the prices quoted by TTCI was £ 2.00 per kg. C&F Ayonmouth including 3% trade discount. The price was based on a tea cost of Rs. 18/- per kg. and 16% profit margin and a high freight rate. Later LTPC advised TTCI that pure Orthodox Blend would not be suitable for the London market and at their request TTCI sent three further samples marked 223-A, 223-B, 223-C which were a blend of Orthodox and CTC teas. LTPC subsequently advised TTCI that the pure Orthodox blend would not serve the purpose for LT packets and requested for samples of CTC blend. A new sample marked STD-288 with CTC. BOP and BP was sent and accepted by LTPC on 29th July, '77 at a price of £ 1.90 per kg. C & F Avonmouth with 120 days payment terms (TTCI's tea cost Rs. 17/- per kg.). The counter offer of LTPC at £ 1.80 was accepted by TTCI as the Indian tea market was showing a downward trend at that time and the tea cost of the types of teas offered was around Rs. 16.15 per kg. covering a profit margin of 14% on 90 days payment terms. Tea prices in London Market for Assam CTC teas dropped from 172.33 pence per kg. on 22nd July, 1977 to 94.88 pence per kg. on 12th August, 1977 as reported in the London Report of the Tea Brokers Association. Price indication of London Tea Market for the type of teas used in LT packets supplied to LTPC London for the period 8-7-1977 to 23-9-77 is given in Appendix I. Because of the sudden collapse of the London tea market, LTPC sent a cable to TTCI on 2nd August, '77 advising it to withhold production of LT Packets as London market prices had dropped sharply. As LT Cartons had already

been printed and as there was a downward trend in the tea market, TTCI telephoned LTPC to enquire the maximum price they could offer for LT Packets. They agreed to accept £ 1·65 per kg. on 8th August, LTPC advised that the best african tea was selling in London at £ 1. 45 per kg. and it would be risky to introduce LT Packets at £ 1. 65 per kg. On reworking the cost on the basis of tea prices then prevailing in the market, it was found that the tea cost for the blend would be Rs. 15/- per kg. using more quantiyty of cheap Dooars tea having similar liquoring quality. At £ 1. 60 per kg., TTCI's profit margin was estimated at 10%.

As the packets had been printed and other materials had been procured and as TTCI was keen to enter into the traditional U.K. market with 100% pre packaged Indian Tea and break the monopoly of the 4 U.K. giants i.e., Lyons, Brooke Bond, Coops. and Typhoo, TTCI decided to agree to the price of £ 1. 60 per kg. and finally 1521 chests of LT Packets were shipped to LTPC in November, 1977 by which time tea prices had dropped further both in India and London.

Subsequently, LTPC had asked for further reduction of price for LT Packets but as TTCI was not willing to reduce the price, it is reported that they placed orders for LT Packets on Jokai Tea Co. through their U.K. agents at a price of about £ 1. 50 per kg.

[Ministry of Commerce & Civil Supplies (Department of Commerce) O.M. No. I-12014(2)/79-Plant (A) Dated 4 June, 1980]

Recommendation, Serial No. 9 (3), (Paragraph 2·36)

It is clear that antecedents and financial standing of the foreign company were not verified before entering into business deals and what was worse no timely watch on the behaviour of the Company especially with regard to payments was kept. All this borders on favouritism or unusual behaviour for what considerations the Committee are unable to understand. Looking at the nature and extent of concessions bestowed on this Company, the Committee cannot but call for a probe into the TTCI's export deal with this Company. They would await the outcome of the probe.

Reply of the Government

The factual position about TTCI's business dealings with London Tea & Produce Company have been fully explained in comments on paragraphs 2. 33, 2. 34 and 2. 35. In these comments the three specific points made in the Committee's report, [namely, (i) TTCI did not stop tea consignments to LTPC in November, 1977 even though two consignments in July, 1977 had not been paid for; (ii) TTCI liberalised credit terms in favour of LTPC on telephonic request and (iii) TTCI accepted lower prices during June-August, 1977 (£ 1. 60 per kg) after quoting a higher price (£ 2 per kg.) earlier] have been fully explained. From these comments it would be seen that dealings of TTCI with LTPC were in line with the accepted business practice and there is no ground to suspect any favouritism or unusual behaviour.

It is important to note that all the amounts due from LTPC have been recovered by TTCI by following the prescribed legal procedure. There is, therefore, no case for conducting a probe into the TTCI's export deal with LTPC.

[Ministry of Commerce & Civil Supplies (Department of Commerce) O.M. No. I-12014(2)/79-Plant (A), dated 23-5-1980].

Recommendations (Serial. Nos. 12 and 13, Paragraph Nos. 2·66 and 2. 67)

The Committee note that after the first order was received in July, 1975 from Afghanistan for packet tea, Tea Trading Morporation of India appointed M/s. Avtar Singh & Co. as their shipping agent in Bombay. The Committee have been informed that this appointment was made after advertising in papers. The rate quoted by this Agent (no other clearing agent had quoted) was said to be reasonable. In 1978, besides consignments for Afghanistan, large shipments to Libya were also entrusted to this Company Bombay. Justifying shipments from Bombay, TTCI has stated that shipping opportunities from Calcutta were irregular. The rates quoted by this Company were stated to be competitive. The Committee learnt during evidence that TTCI have appointed M/s. Avtar Singh & Co. as their clearing and shipping Agents in Bombay for an indefinite period. The Committee recommended that clearing and shipping Agents should be appointed for a specific period so that TCI can review their performance as the end of that period and also satisfy itself whether the rates once fixed continue to be competitive.

The Committee are concerned to note that M/s. Avtar Singh and Co., the clearing and shipping Agents of TTCI, had been using Non-ference steamers for the purpose of paying lower rate of freight. They have been informed that TTCI's buyers did not stipulate the use of a "Conference Line" steamer and that in fact, a Conference Liner was not available for Afghan cargo. The Committee would like to know whether the rate of payment allowed to the clearing agent took note of this factor and if not, how much of benefits was passed on by the TTCI to the agent on account of inflated rate.

Reply of the Government

The first order for supply of packet tea to Afghanistan was received in July, 1975. Shipments were to be made to "Karachi in transit to Kabul". Under the shipping regulations no consignment intended for a third country via Pakistan can be shipped on a steamer carrying the Indian or the Pakistan flag. No such shipping opportunity is available from Calcutta. No conference line ships are avaiable for Kabul shipments.

In these circumstances, M/s. Avtar Singh & Co. were appointed as Shipping Agents for handling shipments to Afghanistan from Bombay. They offered a fixed rate for various services covering removal of consignment from Malcutta, their handling and storage in Bombay and the shipment to Afghanistan. They also handled supplies to Afghanistan from Amritsar

Their appointment was made by advertisement in papers. In 1975 no other clearing agent quoted in response to the advertisement. The rate quoted by M/s. Avtar Singh & Co. was considered reasonable. No complaint was received from the buyers.

Later on, in 1978, TTCI received orders from the Government Buying Agency in Libya. According to the terms of Contract, TTCI was to make shipments as per specific delivery schedules incorporated in the Letter of Credit. The Shipments were to be made on "Liner Term" basis. This means that the freight should include loading and unloading charges and the ship should not be more than 25 years of age.

At that time shipping opportunities from Calcutta were available only if sufficient cargo to Libya could be assured. On the other hand at least three-four sailings to North African countries were available from Bombay. Besides, in March, 1978 the freight rates from Calcutta were increased due to bunker surcharge. TTCI's contract with the Libyan buyer was, however, on fixed price basis.

In these circumstances, TTCI ag ain advertised for shipping agents and found that the rates quoted by M/s. Avtar Singh & Co. were competitive as compared to other quotations received. The work of Libyan shipments was therefore entrusted with M/s. Avtar Singh & Co. on the basis of a comprehensive rate.

From the above it would be seen that TTCI engaged the services of M/s. Avtar Singh and Co. purely on the basis of exigencies of its shipping requirements and after satisfying itself about the reasonableness of the rates quoted by M/s. Avtar Singh & Co. The rates quoted by M/s. Avtar Singh & Co. for shipment from Bombay were found comparable to those available for shipment from Calcutta in January-February, 1978. But with the increase in the freight rates from Calcutta due to bunker surcharge from March, 1978 shipments from Bombay were preferable in view of the commitment to maintain delivery schedule and the fixed price agreed to the Libyan buyers. When the bunker surcharge was withdrawn in August, 1978, TTCI resumed shipments from Calcutta for the Libyan orders. If the freight rates from Calcutta again increase or timely sailings from Calcutta become unavailable, shipments from Bomay have to be resorted to depending on the exigencies of the export commitments.

It is not correct to say that TTCI's arrangement with M/s. Avtar Singh & Co. is valed for an indefinite period. As per normal business practice, the rates of the clearing and handling agent are valid only for the period stipulated by the agent himself. They are reviewed from time to time by both the parties. The TTCI's arrangement with M/s. Avtar Singh & Co. is also subject to periodical review and depending on the export orders on hand and other quotations available from competing shipping agents they may be extended or discontinued.

[Ministry of Commerce & Civil Supplies (Depatment. of Commerce), O.M. No. I-12014(2)/79-Plant (A), dated 23-5-1980.]

Recommendation (Serial No. 14, Paragraph 2.80)]

The Committee regret that the Tea Trading Corporation of India was said to have been pressurised by the Indian Embassy in Libya to enter into a contract with Libya for supply of 1000 tonnes of packet tea at an unremunerative price. It transpired during evidence that supply of tea against Libyan order of 1976 had resulted in a loss of Rs. 15 lakhs.

Reply of the Government

Libya is a significant importer of tea with imports of 10 million kgs. of packet tea per year. This market was being served entirely by Sri Lanka. In 1975-76, a private Indian exporter had secured an order for 3000 tonnes of packet tea but he failed to meet his commitment and did not supply any quantity against the order in view of the rising prices.

Because of the potential of the market and the unfortunate experience of the Libyans of exports from India, the Indian Embassy was keen that a reliable public sector organisation like the TTCI should make a breakthrough in the packet tea market in Libya. In 1976-77, TTCI secured an order from Libya for 1000 tonnes of packet tea at prices which were comparable to those offered by an Indian exporter and also in line with Sri Lanka prices. In accordance with the Libyan practice, the contract was placed at fixed prices. In respect of Sri Lanka also, the Libyan authorities have made contracts at fixed prices. However, there was an unexpected increase in tea prices by Rs. 3 to Rs. 4 per kg. in India in the second half of 1976. Due to the fact that the contract was based on fixed prices, it was not possible to enhance the prices to cover the increase in the tea prices in India. As the TTCI had secured this order against stiff competition and it was a breakthrough for it in the Libyan market, TTCI decided to meet its full commitment of 1000 tonnes despite the increase in prices, keeping in view the future potential of the Libyan market and the necessity of establishing TTCI as a reliable supplier from India. Being a Government of India enterprise, the image of the Government of India was also involved in the Corporation fulfilling its contract. The Corporation also made a commercial judgment regarding its future trade relationship with Libya in deciding to fulfil the commitment.

Subsequent events and business opportunities in Libya have proved that the decision of the TTCI to fulfil its contract was far-sighted as the Corporation has received increasing orders in later years and has successfully established Indian packet tea in Libya. As a result of TTCI honouring its commitment even at a loss, the Corporation has secured from Libya fresh orders for over 135,000 kgs for packet tea valued at Rs. 27 crores between 1977-80 and also an order for 50 tonnes of tea bags valued at Rs. 1 crore. The loss that the Corporation suffered in 1976-77 on the Libyan business has, therefore, been more than recovered in subsequent years.

[Ministry of Commerce & Civil Supplies (Department of Commerce) O.M. No. I-12014(2)/79-Plant (A) dated 23-5-1980]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

NIL

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 10, Paragraphs 2.37 & 2.38)

On the whole a sum of £1,26,000 was due from the LTPC for the supplies made and the Company put up a counter claim of £24,000. TTCI had to ultimately file a suit against the company after the Committee expressed their serious displeasure during evidence. The Committee were informed that in January, 1979 the Queen's Bench Division of High Court of Justice had passed an order that judgment be entered against the Defendent (LTPC) for (i) £49,037 and that execution be set for 28 days *i.e.* 21-2-1979 and (ii) further £64,466 and execution be set by 31st March, 1979. As regards the balance outstanding from LTPC, the matter, it has been stated will be decided, on trial. The Committee would like to be apprised of the decision of the trial court and the recoveries made.

The Committee are extremely unhappy that due to the mishandling of the business the Corporation landed itself into avoidable complications which resulted in locking up of capital and diversion of the energies of the executives.

Reply of the Government

While it is a fact that a sum of about £1,26,000 had fallen due from LTPC on account of tea sent on sight basis against supplies made to them from time to time, it is not wholly corrrect to state that (a) recovery measures were initiated only after the Committee expressed serious displeasure during evidence. (b) LTPC's counter-claim was only in respect of £ 24,000.

TTCI started doing business with London Tea & Produce Co. Ltd. from 1975 on the recommendation of the Tea Board of India. Over 1975, 1976 and 1977 a business of more than Rs. 1 crore was made between LTPC and TTCI. In the later half of 1977 however due to continuous trouble in the Calcutta Port and due to abnormal increase in tea prices,certain shipments were delayed as in the case of consignments per S.S. City of Gloucester, a consignment of approximately £57,000 was substantially damaged in transit because of the ships trouble in Port and consequent delayed arrival in London. Furthermore, once again as a result of trouble in the Port non-availability of vessels of Avonmouth Port, nominated by London Tea & Produce Co. Ltd., some shipments got bunched together with the result that on some occasions, delivery of consignments meant for different months arrived in Avonmouth at about same time. On the one hand delayed shipments were not the fault of TTCI and on the other hand the customer in U.K. was put to serious cash flow difficulties as a result of arrival of several consignments at the same time. Consequently, at the request of London Tea & Produce Co. Ltd. payment terms were extended from 90 days to 120 days. This accommodation is normally granted in a situation of this kind and is customary business practice particularly when party concerned has agreed to pay interest charges for the extended period.

However, as a result of late arrival of teas and damage to teas in transit, the London Tea & Produce Co. Ltd. withheld payment against bills of exchange pending finalisation of their claim for compensation on account of damaged teas.

It later transpired on investigation that because of the sudden substantial drop in tea prices, London Tea & Produce Co. Ltd. was finding it difficult to meet its commitment. Legal proceedings were therefore instituted against them for recovery of monies due to TTCI totalling £154,114·09.

At the initial stage, the Court ordered that only a part of total claim of TTCI be allowed to be remitted to India and the balance kept in London court pending trial. Subsequently, however TTCI's Solicitors in London, by allowing convenient instalment terms were able to realise £1,05,268·05 from London Tea & Produce Co. Ltd. and an amount of £1,00,000 has already been remitted to India, certain amount having been kept in U.K. by the Solicitors for meeting the cost and counter claims, if any.

What will now be decided on trial will be LTPC's claim for £25,240 regarding supply of inferior quality of tea, delayed shipment and levy of reExport Duty in respect of contract executed earlier to Govt.'s notification regarding levy of export duty at the rate of Rs. 5/- per kg.

It is submitted, however, that the business with London Tea & Produce Co. Ltd. was not mishandled at any stage and the complication arising out of non-payment of bills on time was attributable largely to shipment delays which were beyond the control of TTCI.

[Ministry of Commerce & Civil Supplies (Department of Commerce) No. I-12014 (2)/79-Plant (A) dated 23 May, 1980.]

NEW DELHI;
December 17, 1980

BANSI LAL,
Chairman,
Committee on Public Undertakings.

Agrahayana 26, 1902 (Saka)

APPENDIX I

[*Vide* reply to recommendation at Serial No. 9(2)]

Price Indication of London tea Market for the Type of Teas Used in LT Packets Supplied to LTPC, London

Tea Market Report No.	Date	Avg.	Price/kg.
254	8-7-77	175·77	Pence
255	15-7-77	175·46	,,
256	22-7-77	172·33	,,
257	29-7-77	140·57	,,
258	5-8-77	108·51	,,
259	12-8-77	94·88	,,
260	19-8-77	184·01	,,
261	26-8-77	159·37	,,
262	9-9-77	165·84	,,
263	16-9-77	165·43	,,
264	23-9-77	128·04	,,

(SOURCE : TEA MARKET REPORT ISSUED BY TEA BROKER'S ASSOCIATION OF LONDON)

APPENDIX II

(*Vide* Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Forty-fifth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

I. Total number of recommendations made	15
II. Recommendations that have been accepted by the Government (*Vide* recommendations at S. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 11 and 15)	10
Percentage to total .	66·67%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (*vide* recommendations at S. Nos. 9, 12, 13 and 14)	4
Percentage to total	26·66%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee . .	NIL
Percentage to total	NIL
V. Recommendations in respect of which final replies of Government are still awaited (*vide* recommendation at S.No. 10)	1
Percentage to total	6·67%

MGIPF.—920LSS/80—19-12-80